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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTHS ENDED JUNE 30

(thousands of dollars)

	1967	1966
Source of Funds:		
Funds derived from current operations	$ 3,287	$ 3,047
Proceeds from issue of common shares for cash	54	144
	3,341	3,191
Application of Funds:		
Additions to fixed assets (net)	1,112	1,199
Dividends	922	797
Cash paid on acquisition of subsidiaries	—	460
Decrease in long term debt — non current portion	290	290
Increase (decrease) — investment in and advances to affiliated companies	72	(67)
Redemption of preferred shares	71	265
Other items	34	(11)
	2,501	2,933
Increase	840	258
Working capital, January 1	20,989	18,694
Working capital of subsidiaries at dates of acquisition (net)	—	47
Working capital, June 30	$ 21,829	$ 18,999

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INTERIM REPORT

JUNE 30, 1967

TO THE SHAREHOLDERS:

We are pleased to confirm the recent announcement that the Directors of the Company have declared a quarterly dividend of 17¢ per share on the Class A Common stock, effective with the July 15th payment, compared to the previous quarterly rate of 13¢. Class B Common shareholders receive a comparable aggregate payment of 14.5¢ per share consisting of tax-paid proceeds of a stock dividend in the amount of 14¢ and a taxable balance of 5/10 of a cent for each Class B share. It was deemed appropriate to increase the regular dividend rate at this time rather than to wait and consider an extra dividend at the year end.

The estimated consolidated results of the operations of your Company for the six-month period ended June 30, 1967, with comparative 1966 figures, are set out below:

	First Six Months 1967	First Six Months 1966
Sales	$ 45,900,000	$ 41,900,000
Income before income taxes	4,229,000	3,799,000
Income taxes	2,152,000	1,964,000
Income for period	2,077,000	1,835,000
Earnings available for common shares	$ 1,890,000	$ 1,643,000
Common shares outstanding	2,142,048	1,956,292
Earnings per common share	88¢	84¢

Income in the first six months of 1967 represents an increase over the same period in 1966 of 13%. Earnings per share increased by 5%. A statement of Source and Application of Funds appears on the back of this report.

In Canada, during the first quarter, demand for our products was erratic, especially in Western Canada where construction activity was depressed. However, sales volume increased in May and June, and indications are that we should expect reasonably good results in the second half.

Operations in the United States have held up satisfactorily throughout the first half and we expect a continuance of this performance for the balance of the year. Production under U.S. Government military contracts at the St. Paul Division of John Wood Company is at a high level and existing contracts extend to the end of 1967.

A profit squeeze is being felt by the Company since it is difficult to offset rising labour and material costs through higher selling prices. However, an intensive profit improvement program has proven to be quite successful and this is having a favourable effect on profits.

We expect that business activity in Canada and the U.S. will continue at a satisfactory level for the balance of the year, and anticipate that earnings for the last half of 1967 will compare favourably with earnings in the last six months of 1966.

D. G. Willmot

July 14, 1967

D. G. Willmot,
President.